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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/25/06

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3) Prime Minister's schedule, July 24

NIHON KEIZAI (Page 2) (Full)

July 25, 2006

11:10

Met Cabinet Office Senior Vice Minister Kakazu at Kantei.

16:58

Met Assistant Deputy Secretaries General Ando and Saka.

19:02

Attended Fifth Anniversary Town Hall Meeting in Tokyo at Akiba Square.

20:00

Returned to his official residence.

4) WTO talks put on hold: Multilateral framework at turning point; Gaps over farm produce remain unfilled; Talks might not resume for several years

YOMIURI (Page 9) (Excerpts)

July 25, 2006

The multilateral trade talks (Doha Round) at the World Trade Organization, which aim at establishing trade liberalization rules, have broken down in effect when a ministerial meeting of the Group of Six on July 26 failing to fill gaps in their views on liberalization of agricultural products. The recent G-8 Summit (St. Petersburg Summit) adopted a target of reaching an agreement in outline by mid-August. However, WTO members gave priority to their domestic circumstances, including protection of agriculture, instead

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of to trade liberalization talks. This will likely call into question the rationale for the existence of the WTO.

It took only several dozen minutes for the ministerial on the 24th to fall through.

Meeting the press after the talks, Peter Mandelson, commissioner of the European Union for Trade, harshly criticized the US: "The US did not show any flexibility at all. It has grabbed profits but never given away. That is the cause of the collapse of the talks."

Though the talks have effectively collapsed, Agriculture Minister Nakagawa told reporters, "It may take several months or even several years before we can resume the talks, but the Doha Round is not dead." The postponement of the talks to reach a framework accord is the fourth since the Hong Kong ministerial meeting late last year. Procedures for resetting a deadline for reaching an accord will likely be discussed from now on.

5) Japan deeply disappointed at suspended Doha Round

MAINICHI (Page 11) (Full)

July 25, 2006

Commenting on the suspended Doha Round, a senior official of the Ministry of Economy, Trade, and Industry (METI) took a serious view: "If major countries go for bilateral talks, Japanese trade will be placed in a difficult situation." METI Minister Toshihiro Nikai once again underscored the importance of the Doha Round, saying: "Japan is a trade-oriented country. If you consider the profits Japan will gain in the event of successful WTO trade talks and the losses it will suffer in the event of a failure, it is clear which way we should go." In fact, Japanese industry has missed an opportunity to expand exports of manufactured goods to developing countries due to the failed multilateral talks at the WTO.

For Japan, which is lagging behind the US and the EU regarding free trade agreements, the multilateral framework of the Doha Round was a setting where it could have made its presence felt, as a source involved in the negotiations put it. Since it had intended to check the US and the EU, which tend to favor bilateral trade agreements, by contributing to efforts to bring the Doha Round to a successful conclusion, negotiators are greatly disappointed at the outcome.

At the same time, those in the agricultural sector are relieved at the fact that further liberalization of the rice market has been avoided. However, some have voiced a sense of alarm, believing that when the round resumes, Japan will face a call for even greater concessions.

The Ministry of Agriculture, Forestry, and Fisheries (MAFF)'s stance is complex, as it was on the defensive. It succeeded in defending the agricultural market by not bowing to requests from the US and

Brazil for substantive market opening. However, it was unable to present a concessions plan it had prepared and failed to achieve a "small accord," which it had aimed at. Working on the assumption that the Doha Round would reach an accord, MAFF has been promoting agricultural reform, including training farmers. However, some are concerned that the sense of urgency might decline given that Japan managed to survive calls to open its agricultural market for the time being.

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6) Protectionism may grow with collapse of WTO talks; FTA trend likely to gain momentum

NIHON KEIZAI (Page 5) (Full)
July 25, 2006

Ichimura, Geneva

Global free trade talks collapsed on July 24. The suspension of the World Trade Organization's Doha Round is a major setback for the global free trade system that has contributed to global growth through expanded trade. Set off by the collapse, protectionism may gain momentum in various countries.

In a press conference held after the last-ditch negotiations, US Trade Representative (USTR) Susan Schwab emphatically said: "We had a proposal including measures to open up our market still further, but other developed countries did not present any specific concession plans." In reaction, European Union (EU) Trade Commissioner Peter Mandelson pointed the finger at the United States, claiming: "The US refused to accept other countries' proposals, resulting in a suspension of the talks."

Minister of Economy, Trade, and Industry Toshihiro Nikai said: "Since each country tried to avoid being criticized for making concessions first, the talks went round and round and did not get anywhere." Even while expressing a willingness to make concessions, cabinet ministers were hesitant to present specific proposals, as shown by Agriculture, Forestry, and Fisheries Minister Shoichi Nakagawa's remark: "Although we prepared our own proposal, there was no opportunity to submit it."

The suspension of the talks will give impetus to free trade agreements (FTA) based on the principle of "most favored nation treatment" that has each nation involved open up its markets on equal terms. Many countries are expected to move in this direction, and those countries that cannot conclude FTAs, like developing countries, may eventually be placed at a disadvantage in trade.

7) Suspension of WTO Doha Round to deal blow to Japan, with tariff cut plans aborted

NIHON KEIZAI (Page 5) (Full)
July 25, 2006

The suspension of the World Trade Organization's (WTO) Doha Round will deal a serious blow to Japan.

Japan will miss a good opportunity to expand trade with Brazil and other influential developing countries. Japan, the United States, and European countries have imposed 2% -4% tariffs on industrial products, but those imposed by influential developing countries, including Brazil and India, are at the 30% level. In the Doha Round, negotiations were carried out on a plan to reduce rates to 15%. The momentum toward trade liberalization will be undermined with the collapse of the WTO talks.

Other major agenda items were the liberalization of services, including deregulation of foreign investment and the financial and telecommunications sectors. Japan was aiming at expanded operations in Southeast Asian countries. Discussions on measures to facilitate trade, including the simplification of trade procedures, will also

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be put off.

8) Inspections by MAFF found problems at some US meatpackers; Package authorization of 35 processing plants will likely be affected

YOMIURI (Page 9) (Full)
July 25, 2006

Japan placed a second ban on US beef imports, following the discovery of specified risk materials in shipments. In a move to remove the ban, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health, Labor and Welfare (MHLW) have dispatched a survey mission to the US to inspect meatpackers that are authorized to export products to Japan. The survey results revealed that inspections found problems at some of the 35 facilities inspected. A senior MHLW official noted, "There are problems at one or two plants." The two ministries will undertake coordination regarding whether to give authorization to those facilities as well."

Tokyo and Washington had agreed on June 21 to hold close consultations in the event of on-the-spot inspections finding improper facilities. However, Secretary of Agriculture Mike Johanns has indicated his intention not to allow the Japanese side to select meatpackers eligible for exports. He called for package approval of the 35 plants, noting, "What is important in the inspections is not to select eligible facilities on an individual basis but to judge the cattle inspection system as a whole."

The Japanese survey mission inspected 35 meatpackers and ranches over a period of about a month starting on June 26 and returned home on July 23. The two ministries will compile a report and formally decide to resume US beef imports, once they obtain approval from the Liberal Democratic Party on the 26th.

9) Japan announces support for draft resolution on Iran

YOMIURI (Page 4) (Full)
July 25, 2006

At a press briefing yesterday, Administrative Vice Foreign Minister Shotaro Yachi referred to the question of whether to give support to a draft resolution on Iran introduced by Britain and France to the United Nations Security Council and stated that Japan would basically support the resolution, noting: "If many countries agree the contents of the resolution, Japan will consider supporting it."

10) Japan refuses to admit 5 North Koreans

SANKEI (Page 2) (Full)
July 25, 2006

The Ministry of Justice yesterday rejected five North Korean nationals' applications for entry into Japan. The five North Koreans had made the applications for the purpose of attending a meeting of North Korean residents to be held in Japan late this month.

The ministry, according to immigration authorities, tightened up its examination of entry applications from North Korean nationals for the first time in accordance with the government's recent decision on sanctions against North Korea in the wake of that country's

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missile launches.

The five North Korean nationals had applied to the Japanese government for permission to visit Japan for about one week from late this month for the purpose of participating in a meeting of North Korean residents in Japan to be held in Tokyo and other locations for the return of their kin's ashes.

"There's no humanitarian issue with refusing to let them in," a ministry official said.

The ministry held an emergency meeting of Tokyo and other regional immigration officials on July 5 when North Korea fired missiles. In the meeting, the ministry instructed them to implement the government's decision on sanctions against North Korea.

The Japanese government does not admit any North Korean government personnel in principle. In addition, the Japanese government has also decided to tighten up immigration checks on nongovernmental personnel. Based on this decision, immigration authorities are scrutinizing North Koreans' applications to check their status and purpose.

The Japanese government will strictly apply laws and ordinances, as well as to implement sanctions, in order to intensify pressure on North Korea, a government source said.

11) China possibly punishes North Korea for yuan forgery

SANKEI (Page 2) (Abridged)
July 25, 2006

SEOUL-The Bank of China (BOC), one of China's four national commercial banks, has frozen its North Korean accounts over North Korea's moneylaundering and currency counterfeiting, according to Park Jin, a South Korean lawmaker with the leading opposition Hannara Party (Grand National Party). "This has considerably damaged North Korea," Park said. When he visited the United States in mid-July, US government officials revealed the bank's action, Park said.

In September last year, the United States imposed financial sanctions on Banco Delta Asia, a Macau bank, for its alleged involvement in moneylaundering for North Korea. The United States conducted investigations into the Macau bank and also looked into the BOC's Macau branch. As a result, US investigators discovered counterfeit bills. The US government asked the Chinese government to freeze the BOC's North Korean accounts. Those forged banknotes included not only US dollar bills but also Chinese yuan notes, according to Park.

12) Poll: 60% opposed to next premier's Yasukuni visit

ASAHI (Top play) (Full)
July 25, 2006

The Asahi Shimbun conducted a telephone-based nationwide public opinion survey on July 22-23, in which respondents were asked if they thought the next prime minister should visit Yasukuni Shrine. In response to this question, 60% answered "no," with 20% saying "yes." In a previous survey taken in January this year, "no" accounted for 40%, with "yes" at 28%. This time around, "no"

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substantially increased. Respondents were also asked if they thought Prime Minister Koizumi should visit Yasukuni Shrine. In response, "no" accounted for 57%, nearly double 29% for "yes." Meanwhile, the late Emperor Showa (Hirohito) made a statement voicing his displeasure with the enshrinement of Class-A war criminals in World War II at Yasukuni Shrine, according to recently discovered records. In the survey, respondents were further asked if they would weigh this statement when thinking about whether it would be appropriate for a prime minister to visit Yasukuni Shrine. In response, "yes" accounted for 60%.

In the survey this time, respondents were asked if they thought it would be better for the next prime minister to visit Yasukuni Shrine. In response to this question, "no" accounted for about 60% among all generations. The proportion of negative answers was 46% among those who support the Koizumi cabinet and 47% even among those who support the ruling Liberal Democratic Party. Meanwhile, the proportion of affirmative answers was about 30% among those who support the Koizumi cabinet and among those who support the LDP. In this January's survey, the proportion of negative answers was at the 30% level both among Koizumi cabinet supporters and among LDP supporters. The figures show changes in the attitudes of those who used to support the premier's visits to Yasukuni Shrine. Such

changes appear to have raised the proportion of negative answers.

In the latest survey, Chief Cabinet Secretary Abe was most popular as the next prime minister. Even among his supporters, 52% said he should not visit Yasukuni Shrine if he comes into office as prime minister, with 29% insisting that he should visit the shrine.

In past surveys, public opinion was split over Prime Minister Koizumi's Yasukuni visits. In last October's survey, H=NClQ[IPQ does not think he should do so.

In the survey, 29% supported Koizumi's Yasukuni visits. They were further asked when they thought he should visit Yasukuni Shrine. In response, 45% suggested any day but Aug. 15, with 39% preferring Aug. 15.

In the latest survey, respondents were asked about the late Emperor Showa's statement after they were asked about the propriety of Prime Minister Koizumi and his successor visiting Yasukuni Shrine. In response to that question, a total of 63% answered that they would weigh the statement, broken down into 24% weighing it very much and 39% weighting it to a certain extent. In the meantime, a total of 33% answered that they would not weight it. In their breakdown, 21% said they would not weight it very much, with 12% saying they do not weigh it at all. The proportion of those who weigh it very much goes up with generations. Among those aged 70 and over, the figure reached 33%.

Among those who weigh it very much, 10% answered that they would support the next prime minister's Yasukuni visit, with 82% opposing it. Among those who do not weight it at all, however, opinion was split with 10% supporting it and 35% opposing it. The figures show that those who weigh the imperial statement tend to oppose prime ministerial visits to the shrine.

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13) Koizumi: Opinion poll results will not affect shrine visit

MAINICHI (Page 2) (Full)
July 25, 2006

In opinion polls conducted by the Mainichi Shimbun and other news companies, many expressed opposition to a visit to Yasukuni Shrine by the prime minister on the August 15 end-of-the-war anniversary. Asked by the press at his official residence yesterday about such results, Prime Minister Junichiro Koizumi said: "They will not affect (my decision on whether to visit Yasukuni Shrine)."

14) Will Yasukuni issue make waves ahead of LDP presidential race?
Chief Cabinet Secretary Abe to stay away on 8/15?

SANKEI (Top play) (Excerpts)
July 25, 2006

Chief Cabinet Secretary Shinzo Abe, viewed as the front-runner in the upcoming Liberal Democratic Party (LDP) presidential election in September, has perhaps strategically avoided making clear his position about the question of a visit to Yasukuni Shrine on Aug. 15, the anniversary of the end of World War II. Speculation is rampant that with the recent discovery of a memo revealing that the late Emperor Showa (Hirohito) had expressed displeasure at the enshrinement of the so-called Class-A war criminals at Yasukuni Shrine together with other war dead, Abe may forgo a shrine visit. Meanwhile, Prime Minister Junichiro Koizumi, when asked yesterday about a shrine visit, hinted at a visit, stating: "I don't think it will become a campaign issue (in the presidential race). It is a personal matter."

Asked by reporters yesterday, Abe stated: "I have no intention of saying whether I will visit, whether I visited, or when I might visit." He did, though, restate his previous position: "I have visited the shrine in order to pray for the repose of those who fought and died for the nation and offer my respect for them. This sort of feeling is still with me and will not change in the future."

Abe visited the shrine on Aug. 15, 2004, when he served as LDP secretary general, and in 2005, when he served as deputy LDP

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secretary general. But an aide to Abe made this analysis: "He will

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refrain from visiting the shrine on Aug. 15, because he doesn't want to make waves unnecessarily." A mainstay LDP member conjectured: "I think Mr. Abe may not visit the shrine even after coming to power as prime minister."

In contrast, Koizumi, when asked yesterday whether he will visit the shrine on Aug. 15, underscored his intention to make his own decision, stating: "I don't think I need to take opinion polls into account when making a decision."

Koizumi has achieved postal privatization, one of his campaign pledges, and perhaps he wants to close his term as prime minister by realizing a shrine visit on Aug. 15, one of his remaining pledges.

However, if he did so, he would meet with objections from not only China and South Korea but also even within Japan. In addition, there is a possibility that Abe may see some supporters turn their back on him. Being increasingly nervous about such a development, according to a government official, the Prime Minister's Official Residence

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(Kantei) "asked relevant officials to survey and analyze what impact there will be if the prime minister visits Yasukuni Shrine."

A scenario worked out by a person close to Abe takes these circumstances into account. According to this person, Abe will attend a large meeting planned in his hometown, Yamaguchi Prefecture, on Aug 12, and will formally declare his candidacy in late August after the fuss over Yasukuni quiets down. Along with the declaration of his candidacy, Abe will release a policy platform, but the platform will not mention Yasukuni, such as whether to visit the shrine or whether to construct a new memorial facility to console the souls of the war dead.

If Abe forgoes a shrine visit, an aide to Abe says, the concern is that "he may let down the conservatives who have fervently supported him for his response to North Korea and other issues."

15) 2006 LDP presidential election: Yasukuni debate still active after Fukuda's withdrawal of race; Tanigaki and others eager to unite members in place of Fukuda

MAINICHI (Page 2) (Excerpts)
July 25, 2006

Debate on the Yasukuni Shrine issue has flared up again in the Liberal Democratic Party with the party presidential election in September approaching. Former Chief Cabinet Secretary Yasuo Fukuda, who has been critical of Prime Minister Junichiro Koizumi's shrine visits, announced that he would not run in the race so as not to split national opinion. But with the revelation of a memorandum showing Emperor Showa's displeasure with the enshrinement of Class-A war criminals at Yasukuni Shrine, the controversial Tokyo shrine is certain to become a campaign issue. It might be a good opportunity for post-Koizumi contenders who have been lagging far behind Chief Cabinet Secretary Shinzo Abe to turn the tables.

Abe indicated in a speech on July 23 that politics should stay away from the Class-A war criminal unenshrinement debate, now prevalent in political circles, saying:

"It is a matter for the shrine and the Japan War-Bereaved Association to make a decision under the principle of separation of politics and religion. They are not criminals under domestic law. The government has been paying survivors' pensions as well. There is a serious misconception."

But Abe stopped short of mentioning whether or not he will visit the shrine once he becomes prime minister.

Meanwhile, Finance Minister Sadakazu Tanigaki declared on July 22: "I will abstain from visiting Yasukuni Shrine for the time being." Appearing on a television program on July 23, he also likened the issue of Class-A war criminals enshrined at Yasukuni to a splinter struck in his throat, showing some understanding toward the unenshrinement argument. Tanigaki apparently clarified his position in an effort to unite LDP members in place of Fukuda.

Foreign Minister Taro Aso, a hardliner toward China and South Korea like Abe, has been struggling to differentiate himself from Abe by proposing in speeches the approach to make Yasukuni Shrine a nonreligious organization. Aso has been making preparations to unveil his solution to the Yasukuni issue timed with the planned

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announcement of his official candidacy around August 20.

Being incumbent cabinet ministers, Tanigaki and Aso find it difficult to come up with policies critical of the Koizumi reform line. But for starters, they intend to make clear distinctions with Abe over the Yasukuni issue in the wake of Fukuda's withdrawal from the race.

16) Tanigaki underscores difference in views from Abe's over consumption tax, Yasukuni issue

SANKEI (Page 5) (Excerpts)
July 25, 2006

In a meeting of Tanigaki faction members in Tokyo yesterday, Finance Minister Sadakazu Tanigaki stressed he would focus on the consumption tax in his Liberal Democratic Party (LDP) presidential election campaign. Tanigaki stated: "I would like to frankly speak of the present (severe) fiscal condition and my prescription for that." Tanigaki will officially announce his candidacy on July 27. Keeping in mind Chief Cabinet Secretary Shinzo Abe has become the clear frontrunner now that former Chief Cabinet Secretary Yasuo Fukuda has given up his candidacy, Tanigaki is eager to demonstrate the difference in his views from Abe's on the consumption tax and the Yasukuni issue.

On the consumption tax, LDP Policy Research Council Chairman Hidenao Nakagawa, who is close to Abe, has said: "The margin of increase in the tax rate would be 1-2%." But Tanigaki countered this argument in a NHK program on July 23, saying: "I do not think the current situation is so rosy." As measures to reduce the nation's debt in a stable way, he indicated the necessity for a larger-scale tax hike.

In the same TV program, Tanigaki likened the enshrinement of Class-A war criminals at Yasukuni Shrine to "a fish bone stuck in the throat," echoing former LDP Secretary General Makoto Koga's call for separating war criminals from the shrine. On July 22, Tanigaki indicated that he would refrain from visiting Yasukuni, underscoring a different stance from that of Abe, who has indicated his understanding toward Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine.

SCHIEFFER